



INTERNAL AUDIT SUBSTANTIVE TESTING SOUTHEAST BY DESIGN

October 7, 2004

Roanoke City Council Audit Committee
Roanoke, Virginia

We have audited expenditures under the Southeast by Design program in accordance with generally accepted government auditing standards.

BACKGROUND

Southeast by Design is a program that combines money from several different federal, local, and private sources into the southeast area of the city. More specifically, the program is targeted towards the area from 6th street to 13th street between Bullitt and Jamison avenues. The first step in the program was investing money into purchasing vacant and derelict properties, and for rehabilitation, new construction, low interest loans, grants and commercial development.

Roanoke Redevelopment and Housing Authority (RRHA) and Blue Ridge Housing Development Corporation (BRHDC) are the two main agencies that oversee and administer most of the federal grant money. For their parts of the project, \$2.9 million in CDBG and HOME grants has been contracted to RRHA and BRHDC. Approximately \$370,000 in additional money has been provided for infrastructure improvement in the area. Approximately \$100,000 was earmarked for facade improvements to businesses in the area.

As of August 2004, 30 homes have been constructed, rehabilitated, or are in the process of being constructed or rehabilitated. Forty-two (42) homeowners have been assisted with smaller repairs. Additionally, the program has provided 12 facade improvement grants to existing businesses and is supporting new commercial developments and traffic calming measures in the area.

The Department of Management and Budget monitors expenditures for compliance with HUD regulations and coordinates funding between RRHA and BRHDC. Each is under contract with the city to provide services to eligible participants using grant money. Housing and Neighborhood Services works with city departments, the neighborhood steering committee, and the community in general. They coordinate meetings of the steering committee and then involve city departments to assist with the neighborhood's needs.

One recent example of this cooperation is the opening of the new southeast police substation.

Expected outcomes of the program are to:

- Provide better neighborhood planning and community involvement
- Provide better community services
- Eliminate blight thru property acquisition, demolition, renovation, and new construction
- Provide traffic calming measures
- Provide incentives for business and commercial rehabilitation

PURPOSE

The purpose of this audit was to evaluate expenditures under the Southeast by Design project for appropriateness and proper supporting documentation.

SCOPE

The scope of this audit included reviewing records at RRHA, BRHDC, Department of Management and Budget, and Economic Development. This audit focused on transactions occurring and payments made since the program's inception in 2002.

METHODOLOGY

We evaluated expenditures under the Southeast by Design project for appropriateness and proper supporting documentation. This involved reviewing the requirements and goals established under the project, as well as any criteria for qualifying individuals for grant funding. We evaluated each selected expenditure to verify it was supported based on qualifying criteria, and that it adequately supports the goals of the project.

RESULTS

We conducted site visits to RRHA and BRHDC. At RRHA, we reviewed documentation for rehabilitations (major home renovations), the Quick Response to Emergencies program, and the Critical Assistance Repair for the Elderly program. We noted all payments were adequately supported and recipients appeared to be eligible based on income information available in their files. At BRHDC, we reviewed documentation relating to rehabilitations and new construction. We noted all payments were adequately supported and recipients appeared to be eligible based on the income information available in their files. We also noted that RRHA and BRHDC appeared substantially compliant with their stated goals in terms of number of properties assisted.

CONCLUSION

Expenditures under the Southeast by Design project appear appropriate and were adequately supported.

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